A Study of Agriculture Debt Waiver and its Impact on Organised Lending with Special reference to SBI in Latur District

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INTRODUCTION

India is predominantly an agrarian economy. Pre independence almost 98% of the country was dependent on the agriculture and currently 60% of the population is dependent on the agriculture for survival.

India is one of the major players in the agriculture sector worldwide and it is the primary source of livelihood for about 58% of India's population. India has the world's largest cattle herd (buffaloes); largest area planted to wheat, rice, and cotton, and is the largest producer of milk, pulses, and spices in the world. It is the second-largest producer of fruit, vegetables, tea, farmed fish, cotton, sugarcane, wheat, rice, cotton, and sugar. Agriculture sector in India holds the record for second-largest agricultural land in the world generating employment for about half of the country's population. Thus, farmers become an integral part of the sector to provide us with means of sustenance.

The Indian food industry is poised for huge growth, increasing its contribution to world food trade every year due to its immense potential for value addition, particularly within the food processing industry. The Indian food processing industry accounts for 32% of the country's total food market, one of the largest industries in India and is ranked fifth in terms of production, consumption, export and expected growth.

India has the second-largest arable land resources in the world. With 20 agri-climatic regions, all the 15 major climates in the world exist in India. The country also has 46 of the 60 soil types in the world. India is the largest producer of spices, pulses, milk, tea, cashew, and jute, and the second largest producer of wheat, rice, fruits and vegetables, sugarcane, cotton, and oilseeds. Further, India is second in the global production of fruits and vegetables and is the largest producer of mango and banana.

According to the Department for Promotion of Industry and Internal Trade (DPIIT), the Indian food processing industry has cumulatively attracted Foreign Direct Investment (FDI) equity inflow of about US$ 25.47 billion between April 2000-March 2022.

India's agricultural and processed food products exports stood at US$ 5,987 million in the first quarter of FY 2022-23, up by 14% YoY. In FY 2021-22, agriculture and allied products exports stood at US$ 50.21 billion. As per the third advance estimates, food grain production in India is estimated to be 314.51 MT in FY 2021-22.

Gross Value Added by the agriculture and allied sector is 18.8% in FY 2021-22 (until 31 January, 2022)

In the Union Budget 2022-23:

- Rs. 1.24 lakh crore has been allocated to Department of Agriculture, Cooperation and Farmers' Welfare.
- Rs. 8,514 crore has been allocated to the Department of Agricultural Research and Education.

In July 2022, PM Formalisation of Micro food processing Enterprises (PMFME) scheme was launched for providing financial, technical and business support for setting up/ upgradation of micro food processing enterprises in the country with an outlay of Rs. 10,000 crore .

Prime Minister of India launched the Pradhan Mantri Kisan Samman Nidhi Yojana (PM-Kisan) Benefits under the PM Kisan plan have been delivered to about 11.78 crore farmers as of February 22 2022, and Rs. 1.82 lakh crore have been released to qualified recipients across India in various payments.

Although India has achieved 'self-sufficiency' in food grains production through Green Revolution it brought a host of environmental challenges (e.g., loss of soil fertility, water logging, ground and surface water pollution, intensified pests, and diseases) and socioeconomic problems (e.g., increased farm input prices, regional disparity).

A weakening of the Indian summer monsoon from the latter half of the 20th century has also been reported by which the primary water source is in India's agricultural sector. Such changes have exposed the agricultural sector in a number of ways. For instance, reported significant yield loss in India associated with the frequent droughts from 1966.

While the climate and agricultural production system changes will affect food security, farmers are the first to feel the worst hits. Crop loss leads to farmer distress, inflation, and, as a result, far-reaching economic consequences. Currently, the annual average crop losses due to extreme weather events alone is resulting into losses estimated at around 0.25 percent of India's GDP. Besides, climatic stressors are argued to exacerbate farmers' debt burden, and some commit suicide in response. Moreover, there was a sharp decline of cultivators across India, and the fall was so abrupt that the agricultural laborers surpassed cultivators for the first time since independence. Despite its falling share in the nation's Gross Domestic Product (GDP), a declining number of cultivators, and incidents of farmers' suicide, the climate-sensitive agricultural sector is continuing to be the primary source of livelihood in India.

Climate change and the associated hardships are a major concern for India, as 85 percent of farmers have low financial resilience. In Maharashtra state majority of the farmers availed credit facilities from the PSB(s)? Cooperative Banks and NBFC and private money lenders (both registered and unregistered)

Due to adverse climate condition leading to crop loss Both Central and State Governments have resorted to dolling out financial aid package to the farmers by way of One Time Settlement (OTS) Schemes, Debt Waivers and interest subsidy.

OBJECTIVES

1. To, Study the types of lending in SBI
2. To, Examine the Government Agriculture Debt Waiver Scheme
3. To, Analyse the Impact of Agriculture Debt Waiver on organized lending
4. To, Study the Profile of SBI
5. To, Examine frequencies loan repayment in urban & rural areas.
6. To, Study Government Rules and Regulation related to Agriculture Debt Waiver

AGRICULTURE DEBT WAIVER & DEBT RELIEF SCHEME 2008

Union Finance Minister during his budget speech for 2008-09 announced a Debt Waiver & Debt Relief Scheme for the farmers. The scheme covered **direct agricultural loans** extended to **'marginal & small farmers'** and **'other farmers'** wherein a maximum debt waiver of Rs 25000/-(Rs Twenty Five Thousand Only) was given by the central government after the farmer was found eligible as per set of rules prescribed by the central government. The onus of administration of scheme was put on the lending institutions from which the farmer has availed the credit facility.

CHATRPATI SHIVAJI MAHARAJ SHETKARI SANMAN YOJANA 2017(CSMSSY2017)

The Maharashtra government vide its GR No Kramer 0617/Pr Kr 127/2S dated 28.06.2017 announced a new debt waiver scheme for farmers named after the Legendary Maratha King Chatrapati Shivaji Maharaj. The Scheme Stated that the Maharashtra state has Approximated 126 Lac Farmers and these farmers depend on the State Run District Cooperative banks and Commercial banks for their Agricultural Credit requirement. It

further stated that due to draught like conditions in state from 2012-2016 the captioned debt waiver programme was announced.

In This scheme a sum of Rs 1,50,000/- (Rs One lakh Fifty Thousand Only) or outstanding loan amount whichever is lower as debt relief. Farmers having loan outstanding more than Rs 1.5 lakh were give an option of One Time Settlement (OTS) for the remaining amount. A set of rules were prescribed by the Maharashtra State Government to be eligible for the debt waiver scheme. Interestingly a Meagre Sum of Rs 25,000/- (Rs Twenty Five Thousand) was to be awarded to customer who has not defaulted on the agricultural loan availed by him. The condition for being eligible for Rs 25000/- incentive were more stringent than being eligible Rs1.5 lakh debt waiver scheme.

The onus of implementing the scheme was put on the lending institution from which the farmer has availed the credit facility.

MAHTAMA JOTIRAO PHULESHETLARI KARJMUKTI YOJANA 2019(MJPSKY 2019)

Within a span of 2 years from the last Agricultural Debt Waiver Scheme, the Maharashtra government vide its GR No KrKaMa 1219/Pr Kr 157/2S dated 27.12.2019 announced a new debt waiver scheme for farmers. The Scheme stated that the Maharashtra state has Approximated 153 Lac Farmers an increase of 27 lakh farmers from the 2017 data. It stated that due to draught like conditions in state from 2015-2019 the captioned debt waiver programme was announced.

In This scheme dished out Rs 2,00,000/- (Rs Two Lac Only) or outstanding loan amount whichever is lower as debt relief. Farmers having loan outstanding more than Rs 2 lakh were exempted from the. A set of rules were prescribed by the Maharashtra State Government to be eligible for the debt waiver scheme. A Sum of Rs 50,000/- (Rs Fifty Thousand) was to be awarded to customer who has not defaulted on the agricultural loan availed by him. Again the onus of implementing the scheme was put on the lending institution from which the farmer has availed the credit facility.

FINANCIAL INSTUTIONS IN INDIA

A financial system is network of intermediaries which play important and crucial role in effecting a transaction. Without the involvement of financial systems it is impossible to conduct trade and commerce. Financial system also oversees allocation of scarce capital

to the areas which propel growth of the economy.

Financial Institutions are intermediaries that mobilize savings and facilitate the allocation of funds from surplus units to deficit unit in an efficient manner. Good financial institutions are vital to the functioning of an economy. A Well developed and efficient Financial System for any economy is like the blood circulation sy0stem of human body. It is very vital for capital formation, wealth generation and distribution leading to a strong and robust economy and country.

The Financial System has Intermediaries who function in the financial markets with the help of instruments. Regulators are regulating the activities of these financial intermediaries.

As an ancient civilization India always had some or the other form of functional financial system. This ancient form of financial system at one point in time supported 32% of world GDP aptly giving India the title of "Golden Bird" or "Sone ki Chidiya". However with the passage of time we lost pace with the world, by the Time British left India we were reduce to a Third World country.

Pre-Independce era, especially the period of 1857-1947 was not encouraging. The modern financial system was still in infancy and the market was highly informal. Four presidency banks were formed but their reach was limited.

After India attained Independence then political Leadership favoured socialist ideology. This ideology needed the distribution of financial resources under government control. The need for this control resulted in the public ownership of financial institutions starting with Reserve Bank of India (Established: 1935 Nationalised: 1949). in the year 1956 the Imperial Bank became State Bank of India. In the same year Political leadership nationalised 245 insurance companies and provident societies to create "Life Insurance Corporation India (LIC). The Trend continued in 1969 when it nationalised 14 banks and in 1980it nationalised 6 more banks. This era also witnessed the establishment of Government controlled new institutions like Unit Trust of India (UTI, 1964), General insurance Corporation (GIC, 1972)

One of the most significant development in this space was establishment of Industrial Credit and Corporation of India (ICICI,1954) as an initiative of World Bank and GoI. During these times Indian Financial system saw a significant development in terms of compliances frameworks , operational policy ,legal structure that strengthened the financial

system further. Some notable acts that were framed during the period were "Capital Issue (control) Act 1947, Companies Act 1956, Security Contract Act 1956, Monopoly Restriction and Trade Practice Act 1970 and Foreign Exchange Regulation Act 1973.

After the Balance of Payment (BOP) crisis in 1991 and subsequent liberalization of the indian economy. After 1991 Indian Political leadership embraced the ideals of liberal market economy. State also started accepting a nuanced role of facilitator/regulator and reformer than the owner of financial intermediaries and markets. This change started a reorganization of the financial system at a fundamental level. Political leadership established three new regulators, namely SEBI (Est. 1992, Statutory status was given), IRDAI (Est. 1999), and PFRDA (Est. 2003).

The banking system saw significant transformation with the entry of private (currently 22) and foreign players (currently 46). RBI also played a key role in the facilitation of the NBFC sector and Fintech Space. This has resulted in the diversity of the financial system and catered to various discrete needs of the markets. The role of RBI is notable in the transformation of banking system as a regulator. Autonomy of RBI was one key factor in this transformation.

The industry engagement with the capital market beginning to improve. Several important institutions like National Stock Exchange Ltd. (NSE Est. 1992, started operations in 1994), Stock Holding Corporation of India, ICICI Securities and Finance Limited (Est 1995, started an electronic brokerage platform in 2000), came in to being. Security markets as part of the Indian financial system witnessed significant transformation under the purview of SEBI. Specialist market intermediaries for the facilitation of “new issue” started playing key roles in the primary market. The wave of transformation also hit the secondary market. In the year 1992, NSE introduced screen-based trading. This disruptive introduction changed the secondary market interaction with greater transparency, inclusivity, and liquidity. Another major disruptive change was the setting up of two depositors, namely National Securities Depository Limited (NSDL, Est. 1996), Central Depository Services Limited (CDSL, Est. 1999) with the enactment of The Depository Act, 1996. NSDL and CDSL have dematerialized almost all the traded shares, and transfer of ownership is done through the book-entry system now. One notable event was the commencement of derivative trading in India, which started in the year 2001. Unified Payment Interface (UPI) has been now the new unicorn in the area of financial settlement and inclusion.

NEEDFORTHEBANKS

Before the establishment of banks, the financial activities were handled by money lenders and individuals. At that time the interest rates were very high. The interest rate charged by them is higher than the interest charged by other banking institutions. Again there was no security of public savings and no uniformity regarding loans. So as to overcome such problems the organized banking sector was established, which was fully regulated by the government. The organized banking sector works within the financial system to provide loans, accept deposits and provide other services to their customers.

SCHEDULED COMMERCIAL BANKS

The commercial banking structure in India consists of scheduled commercial banks and unscheduled banks. Scheduled Banks in India constitute those banks which have been included in the second schedule of RBI act 1934. For the purpose of assessment of performance of banks, the Reserve Bank of India categories those banks as public sector banks, old private sector banks, new private sector banks and foreign banks, i.e. private sector, public sector, and foreign banks come under the umbrella of scheduled commercial banks. **"**Unscheduled Bank in India" means a banking company as defined in clause (c) of section 5 of the Banking Regulation Act,1949(10 of 1949),which is not a scheduled bank".

STATE BANK OF INDIA

State Bank of India (SBI) a Fortune 500 company, is an Indian Multinational, Public Sector Banking and Financial services statutory body headquartered in Mumbai. The rich heritage and legacy of over 200 years, accredits SBI as the most trusted Bank by Indians through generations.

SBI, the largest Indian Bank with 1/4th market share, serves over 45 crore customers through its vast network of over 22,000 branches, 62617 ATMs/ADWMs, 71,968 BC outlets, with an undeterred focus on innovation, and customer centricity, which stems from the core values of the Bank - Service, Transparency, Ethics, Politeness and Sustainability.

The Bank has successfully diversified businesses through its various subsidiaries i.e SBI General Insurance, SBI Life Insurance, SBI Mutual Fund, SBI Card, etc. It has spread its presence globally and operates across time zones through 229 offices in 31 foreign countries.

NON PERFORMING ASSETS (NPAs)

Authentic history of banking tells that it deals with lending and collection of money.

However, it followed the basic law of demand and supply where persons having excess money lent to persons who needed it for more productive purposes and were willing to pay a price for this. The operations were limited to the money lender knowing every person he lent money to.

Proper regulation and organization of these activities was necessitated, over a period of time, as the operations began to grow because of increase in the number of clients. Gradually, simple banking transformed itself into commercial banking and the commercial banking itself has undergone numerous changes all over the world, during the last five decades. In the regard, India is not an exception and in fact, the changes that have taken place in India have been far more significant and much more radical in some regards, than elsewhere in the world.

The concept of Non-Performing Assets (NPAs) was introduced for the first time in the Narasimham Committee on "Financial System Reforms" that was tabled in Parliament on December 17th 1991. The Committee studied the prevailing financials system, identified its shortcomings and weaknesses and made with ranging suggestions and recommendations in line with internationally accepted norms. Based on the recommendations of the Committee on "Financial System Reforms", the RBI evolved prudential norms on Income recognition ,Asset classification and Provisioning and issued revised instructions to banks in April 1992. While conveying non-performing category and their anxiety to present rosy picture of their affairs the above instructions to banks also advised them that as per practice followed internationally, income on NPAs is not to be recognized on accrual basis but is to be looked only when it is actually realized because an asset becomes non-performing when it ceases to generate income. The above instructions of RBI have since been implemented by banks from the financial year ended March 1998.

The problem of NPAs is linked to the function of lending money. The lending of money collected from the public, for interest, instead of one's own money, was the beginning of banking. Though the present day banking does not restrict itself to traditional deposit collection and money lending, encompassing a wide sphere of financial activity, lending still remains the prime activity connected with banking. Most credit needs of the society, for carrying, commercial activities are fulfilled by the banks. The conventional credit from the banking system to the Commercial sector comprises bank loans and advances in the form of term loans, demand loans, cash credit, overdrafts, in land and foreign bills purchased and discounted as well as investments in instruments issued by non-government sector.

Non-performing assets (NPAs) constitute integral part of banks' operations. A bank gives out money upfront and earns income over a time on the promise of a borrower torepay. When loans are not repaid, the bank loses both its income stream, as well as its capital. Lending is always accompanied by the credit risk arising out of the borrower's default in repaying the money. The level of non-performing loans is recognized as a critical indicator for assessing banks' credit risk, asset quality and efficiency in allocation of resources to productive sectors. The most calamitous problem facing commercial banks all over the world in recent times is spiraling non-performing assets which are affecting their viability and solvency and thus posing challenge to their ultimate survival. So the problem of NPAs should be nipped in the bud. It is possible only if the check is placed on NPAs from the very beginning.

The lack of preparedness and structural weakness of our banking system led to the emerging scenario and trying to switch over to globalization were only aggravating the crisis.The major reason for this situation was that the threat of NPAs was being surveyed and summarized by Reserve Bank of India (RBI) and Government of India with a bird's eye-view of the banking industry, independent from the rest of the economy.

OBJECTIVES AND SIGNIFICANCE OF THE PRESENT STUDY

The understanding of the seasonal credit flow to the agriculture sector is essential for formulating the policy measures any wrong perception or understading of the credit flow has detrimental effects and is likely to encourage incorrect policy initiatives

Therefore, to achieve sustainable growth there is a pressing need to create a constructive and comprehensive knowledge base for decision-making by identifying and integrating the heterogeneous information on farmers' perceptions about agriculture credit. However, limited studies have comprehensively reviewed the existing literature to represent what farmers perceived.

The present study attempts to fill the existing knowledge gap with the objectives to: (i) understand farmers' perception of the agriculture credit and (ii) characterize the credit cycle of the rural lending by SBI in Latur District. By systematically reviewing the literature across Latur Distrct, Maharashtra, India,

HYPOTHESES

1. Agricultural Debt Waiver Affects Organised Lending
2. Agriculture Debt Waiver leads to NPA's
3. Agricultural ebt Waiver Provokes farmers in delaying the loan payments.

DATABASE

The data used in the present analysis is confined to the past five years from2017-2021.

METHODOLOGY

Information needed for the present study is to be obtained from primary as well as secondary sources. Data from the secondary sources will be obtained for a period of five years from 2017 to 2021.

Data from the primary source comprises of the information elicited through formal and informal interviews with the managers and officials on random cum convenience sample basis from Latur district Maharashtra. The respondents are from the SBI. Data thus obtained has been analysed in tune with the set objectives

ANALYSIS OF DATA

The data thus being obtained will be analyzed using appropriate statistical measures/techniques like percentages, averages and financial ratios. While analyzing the incidence and trends of NPA's, usual statistical techniques like percentages and ratios shall be used

LIMITATIONS OF THE STUDY

1. Study of the causes and analysis of credit flow is confined to SBI
2. Since the analysis has been restricted to SBI, the inferences may not hold good hundred percent for other banks and also when looked at individual branch level.
3. The percentage and averages as tools of analysis lack absolute accuracy as they are adjusted to the nearest decimal points.
4. Preventive measures which are initiated by the SBI to reduce the NPAs arenot available to the researcher, though the statistical figures relating to the same are published by RBI from time to time. At macro level the data is available but at micro level the data is not available.

ORGANIZATION OF THE THESIS

The present thesis has been organized into Seven Chapters as detailed below:

Chapter–1: Research Methodology.

Chapter–2: Review of Literature.

Chapter–3: Profile Of State Bank of India

Chapter–4: Overview of Agriculture Debt Waiver schemes

Chapter–5: Data Analysis

Chapter–6: Presents a Summary of Findings, Conclusions and Suggestions regarding Agricultural Debt Waiver

Chapter–7: Bibliography & Appendices

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